

QUARTERLY JOURNAL

of the

NEW FABIAN RESEARCH BUREAU

No 10

JUNE 1936

THE ECONOMIC SIGNIFICANCE OF COLONIES

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The present international crisis has produced at least one valuable consequence. It has stimulated some hard thinking and careful research about the importance of colonial empires. During the last few months several excellent pamphlets and books have been published on this subject.* Although conclusions are naturally not identical, the discovery of the relevant facts has considerably narrowed the area of possible disagreement. In the economic sphere, in particular, the position has been greatly clarified and very little ground for dispute now remains.

It is the object of this article to give a brief summary of the more important economic factors of the problem. It is not suggested that the demand for colonies is based entirely on economic considerations nor that a discussion of the economic value of colonies exhausts the problem. It may well be that the non-economic factors of prestige, of military and strategic advantage are of far greater importance. It remains true, however, that the so-called dissatisfied powers—Germany, Italy and Japan—do, as a matter of fact, emphasize the economic case. Moreover, no adequate conclusions on policy can possibly be reached without some knowledge of the economic effects of having or not having colonies.† The following five reasons have been put forward in

support of the economic case for colonies: (1) Access to raw materials; (2) markets for the exports of the mother country; (3) favourable opportunities for investment; (4) administrative posts for nationals of the mother country; (5) emigration possibilities.

(1) RAW MATERIALS

The importance of colonies as sources of the supply of raw materials has frequently been stressed by Hitler and Mussolini. Their arguments are generally extremely crude and run on these lines:—"We have no raw materials; colonies supply raw materials; if we had colonies, we should have raw materials". This notion of colonies as storehouses of valuable materials available free to the mother country and inaccessible to other countries is effective demagoguery, but also sheer fantasy. Objective inquiry must answer two questions: (a) How far are the raw materials needed by industrial nations produced in colonial territories? (b) How far would the possession of colonies make it easier for a country to obtain such raw materials?

The following table—taken from statistics given in the R.I.I.A. pamphlet, *Raw Materials and Colonies*—indicates the sources of supply of the most important raw materials:

TABLE I		Percentage of World Products produced by different countries‡ (Only countries producing more than 10% included)							
Product	All Colonial Areas	Other Areas							
	%		%		%		%		%
Iron Ore ...	3.4	France ...	27	U.S.A. ...	21	U.S.S.R. ...	18		
Copper ...	33.3	Chile ...	20	U.S.A. ...	16	Canada ...	13		
Lead ...	0.4	U.S.A. ...	19	Australia ...	17	Mexico ...	12	Canada ...	12
Tin ...	56.9	Malaya ...	31	Bolivia ...	19	Dutch E. Indies ...	17		
Manganese Ore ...	13.7	U.S.S.R. ...	61	India ...	14	Gold Coast ...	12		
Nickel ...	9.0	Canada ...	84						
Tungsten Ore ...	15.6	China ...	33	India ...	23	U.S.A. ...	13	Malaya ...	11
Gold ...	6.4	S. Africa ...	47	Canada ...	13	U.S.S.R. ...	11	U.S.A. ...	10
Coal3	U.S.A. ...	34	U.K. ...	20	Germany ...	12		
Petroleum ...	3.7	U.S.A. ...	59	U.S.S.R. ...	12	Venezuela ...	10		
Potash7	Germany ...	59	France ...	19	U.S.S.R. ...	12		
Phosphates ...	52.0	U.S.A. ...	29	Tunis ...	22	U.S.S.R. ...	12	French Morocco ...	12
Rubber ...	96.1	Malaya ...	46	Dutch E. Indies ...	37				
Cotton ...	2.5	U.S.A. ...	49	India ...	16	China ...	10		
Wool ...	2.3	Australia ...	27	U.S.A. ...	12	Argentina ...	10		
Jute ...	0.3	India ...	99						
Hemp ...	6.2	U.S.S.R. ...	47	Italy ...	18				
Copra ...	64.4	Philippines ...	34	Dutch E. Indies ...	30				
Olive Oil ...	12.9	Spain ...	32	Italy ...	31	Greece ...	15		
Palm Oil ...	98.8	Nigeria ...	43	Dutch E. Indies ...	22	Belgian Congo ...	14		

* See in particular: *The Future of Colonies* by Leonard Barnes, Hogarth Press, 1/-; *The Demand for Colonies* by Lionel Birch, L.N.U., 6d.; *Raw Materials and Colonies*, Royal Institute of International Affairs, 2/6; *Raw Materials and International Control* by H. R. G. Greaves, Methuen, 5/-; *This Have and Have-Not Business* by Sir Norman Angell, Hamish Hamilton, 5/-.

† Throughout this article and in the statistical tables the term "colonies" must be understood to include only non-self-governing colonial territories. Both the British Dominions and India are excluded.

‡ See *Raw Materials and Colonies*, p. 22, and Appendix V for complete tables.

It will be seen that only in the case of tin, rubber, phosphates, palm oil and copra do the colonial areas produce more than 50% of the world output. In the case of copper, the 33% from colonial areas includes 12% from N. Rhodesia—a self-governing colony with all but dominion status. The remaining raw materials are produced to an overwhelming extent in non-colonial territories. It follows that even if the "storehouse" notion of colonies were true, the possession of colonies, even if carefully selected, would not endow the dissatisfied powers with more than a fraction of what they required.

In fact, however, "access to raw materials" does not depend on whether a country has colonies from which the materials can, so to speak, be looted. It depends on whether she is able to purchase these materials. This, in turn, clearly depends, in the main, on whether she can derive sufficient foreign exchange from the sale of goods, services or securities. Sales, of course, need not be to the producers of raw materials themselves but to any country with a reasonably free exchange market. The fact that the dissatisfied powers cannot at present sell sufficient for their own requirements is due primarily to the general diminution in international trade and the almost complete cessation of international lending. It is obviously impossible to discuss here the causes of this situation. It must be pointed out, however, that the particular difficulties in which Italy and Germany find themselves are greatly accentuated by their attempts to maintain their currencies at an external value considerably in excess of the internal value.

There remain three arguments of substance which have been advanced to show that the lack of colonies is a particular handicap.

First, while it is true that, on a basis of multilateral trade, the purchase of raw materials is made possible by the sale of exports to *any* country, the recent growth of exclusively bilateral trade makes such purchases more dependent on the sale of goods directly to raw material producers. The possibility of such sales is obviously easier to countries which have close political relations with these producers. The dissatisfied powers may claim with some justification that the lack of these relations is a particular handicap to them in so far as bilateral agreements are replacing multilateral trade.

Secondly, there is a certain advantage to the country with colonies in so far as she is able to pay for her imports in her own currency, or a colonial currency which can be bought freely at a fixed price in terms of her own. The fact that imports do not have to be paid for in foreign exchange may make it possible for her to obtain them either by what amounts to a forced credit or in exchange for goods which could not otherwise be sold abroad at remunerative prices.

Thirdly, there is a direct and obvious advantage where a discriminatory export duty favouring the mother country is levied on the products of a colony. Such duties are uncommon, but they are not non-existent. Great Britain maintains two such discriminatory export duties on tin ore—one in the Federated Malay States and the other in Nigeria. France and Portugal also impose such duties on certain products. It is, of course, also true that general restriction schemes exist in respect of many raw materials and often involve high prices to

consumers. Since, however, all consumers are equally affected, including the mother countries, such schemes cannot be said to place the non-colonial countries under special difficulties.

(2) EXPORT MARKETS

An increase in the value of exports is as a rule desirable not for itself, but because it makes possible the purchase of a larger volume of imports, either immediately or in the future. The possibility that the possession of colonies may in certain circumstances lead to greater exports, and hence to the purchase of additional raw material imports, has already been mentioned. But it is necessary to examine the question of colonies as export markets from a rather wider angle.

In the first place, how important are colonies as export markets for the mother country? The following statistics indicate the position for the British Empire:

Year	Total Imports	Imports from U.K.	Germany	Imports from Italy	Japan
1932	151,593	40,583 (26.5%)	5,098 (3.3%)	1,261 (.8%)	6,106 (4%)
1933	141,753	37,471 (26.5%)	5,241 (3.5%)	1,321 (.9%)	8,137 (5.7%)
1934	159,382	39,323 (25%)	5,169 (3.2%)	1,189 (.75%)	11,558 (7.5%)

It will be seen that (1) of the total colonial market rather more than a quarter is secured by Great Britain; (2) this was the case before the Ottawa agreements; (3) the total British imports into colonies (valued c.i.f.) are approximately 10% of the total British exports (valued f.o.b.); (4) the dissatisfied powers secure a very much smaller proportion of the market—the highest being Japan with 7.5% and the lowest Italy with less than 1%.

These total figures are in one respect misleading. They do not disclose the special importance of Ceylon, Hongkong and Malaya. These three colonies receive more than half the total imports (from all sources) into the Colonial Empire, and they import relatively less from Great Britain. If they are excluded the value of imports from Great Britain becomes £26 million and the proportion of the total import market secured by Great Britain becomes 40% (approx.).

Imports into mandated territories from Great Britain are absolutely very small, amounting to less than £4 million. This represents a proportion of approximately 20% of their total imports. Of this total Palestine accounts for 70%–80%.

Two main conclusions emerge from these figures:

(1) Quite apart from preferential tariffs, the mother country appears to have special advantages in the colonial markets compared with other countries; (2) the quantitative importance of the colonial market is, even in the case of Great Britain, exceedingly small. From the few reasonably accessible statistics the same position, where the mother country secures a high proportion of the total imports into colonies but the value of the market is absolutely very small, seems to apply to the other colonial empires.

The question now arises: How far does the colonial market, small as it is, constitute a particular gain to Great Britain? The answer depends partly on the

reasons why such a high proportion of this market is secured. This may be due to (a) the demands of British residents; (b) the export of capital from Great Britain to the colony; (c) purchases by the colonial governments; (d) "visible" or "invisible" preferences.

(a) The demands of British residents only constitute a net advantage to Great Britain in so far as their incomes would have been smaller, or their demands directed to foreign products, if the colony were other than British. There are general grounds for supposing that a job at home would be less remunerative (*e.g.* for Colonial Service Officials). Hence there is probably some slight gain from this source.

(b) The effects of capital export are discussed below. So far as markets are concerned it is specially advantageous because the loan or investment money is more likely to be spent in Great Britain than in the case of a loan to a foreign country. Moreover, certain trading connections will be established which assist the British exporters.

(c) Government orders financed out of taxation of natives clearly do constitute a net increase in the demand for exports.

(d) Under "invisible preferences" are grouped all those advantages which the British trader possesses through knowledge of the official language, customs, personal connections, etc., and on account of a certain pressure which may be put upon natives to "buy British" products. Their effect is similar to that of the "visible" preferential tariff in favourable quota arrangements. In general such preferences will increase the prices or the sales of British exports. This will be particularly the case where the traders who benefit combine to take advantage of the favourable position. It must not be overlooked, however, that there will probably be some offsetting factors in increased competition in other markets on the part of foreign goods excluded from the colonies.* Moreover, if preferences have also to be given to colonial products in the home market, the prices of imports will tend to rise and, so far as the national income is concerned, this may offset a rise in the value of exports. In the case of the British Colonies, however, a large proportion of their exports to Great Britain are on the "free list" and receive no preference.

In general it may, therefore, be said that the colonial market does involve certain net advantages to the mother country, although quantitatively these would amount to only a part of the total exports to colonies, which, as has been shown, are themselves not very great.

(3) OPPORTUNITIES FOR INVESTMENT

Adequate and reliable statistics of the value of colonial investments owned by nationals of the mother country are difficult to obtain. Although it would be possible to discover the total of new capital issues for the British colonies made in London over a period of years, this would not cover capital privately raised. Moreover it would not be possible to say what the present value of

* Where the total British exports of a commodity exceed the demand from the protected areas so that part has to be sold in the world market, there will, in the absence of monopoly arrangements, be no difference between the world price and the price in the protected market, and the preference is thus largely ineffective.

the capital was nor how its ownership was in fact distributed between British citizens and foreigners.

It is clear that the export of capital does not depend on the possession of colonies, and it is well known that foreign investment may be just as profitable as investment in colonies. Nevertheless there are strong grounds for believing that colonies have brought, and still bring, certain important advantages to some sections of investors in the mother country. First, the fact of political control often brings with it the opportunity for securing concessions of a valuable character—especially in mining. Secondly, far greater security is provided than if the government remained in native or foreign hands. Although there may be no prohibition of investment by foreigners, in the early stages at least, when the opportunities for profit are greatest, the British firm or company is likely to have the field very much to itself. A monopoly profit can thus be secured. Since the anticipation of profits or the actual profits earned will be capitalized, the real gain accrues only to the original investors and not to those who afterwards buy the shares.

Apart from the more speculative type of investment, colonies also import capital in the form of loans and thus provide a market for the investor who wants a reasonably safe fixed interest bearing stock. The advantage of this to the mother country lies in the amount of financial business which it involves and the commission, etc., earned by the London new issue market. Although this market does a very great deal of foreign business, it is nevertheless probable that its development has been assisted by the existence of a colonial empire and the steady stream of capital export to it.

Whether the acquisition of colonies which have already been "exploited" by another country would bring these advantages is another matter. If, as may be assumed, the original owners of capital either remain in possession or have to be adequately compensated, the gains would certainly be very much smaller than those secured by the original investors. Moreover it does not at present appear, even on their own showing, that either Germany or Italy are in a position where they can afford to export capital and cut down still further the national income available for consumption.

(4) ADMINISTRATIVE POSTS

According to Mr. Leonard Barnes,* the number of European British subjects serving in official positions in the non-self-governing parts of the Empire is approximately 20,000, of whom about half are employed in India. The salaries of these persons are met entirely from colonial and Indian revenues. It is reasonable to suppose that the same persons, if debarred from posts in the colonies, would be employed at least in some capacity at home. But it is unlikely that they would be so well provided for. In any case the pressure on the labour market for the middle classes is reduced somewhat by this outlet. In addition to these official posts there are, of course, a very much larger number of business appointments. Their existence also, though not quite so definitely, is to no small extent associated with the political control which, as has been pointed out above, makes the position of the British trader an easier one.

* See *The Future of Colonies*, p. 33.

(5) EMIGRATION

That colonies are needed as an outlet for "surplus" population has often been emphasized by all three "dissatisfied" powers. It is obviously impossible in this article to consider what is meant by a "surplus" population or whether there is such a thing in Germany, Italy and Japan. In any case it seems to be overwhelmingly clear that the acquisition of colonies cannot solve the problem. In most cases the climatic conditions are quite unsuitable and the economic possibilities extremely meagre. The following facts illustrate this.

While the population of Germany was increasing rapidly before the war, the total white population of all German colonies in 1913 was only 28,000, of whom 10,000 were non-German. Italy has made various attempts to

colonize Eritrea, but the total Italian population engaged in agriculture in that country is only 84 persons, while the total European population is less than 5,000. According to Sir Norman Angell, "Japan, like Italy, has talked of the needs of expansion: she has possessed for forty years colonial territories of relatively sparse population. Yet in these forty years those sparsely-populated territories have taken less than one year's increase of the Japanese population.*"

If the dissatisfied powers must have more space for settling their populations, the sort of space which the present colonial territories provide will not be of much help to them. The still unoccupied areas which tempt the emigrant are controlled by self-governing nation states.

* See Birch, *The Demand for Colonies* pp 24-26.

BRITISH AND WORLD TRADE AND PRODUCTION

Table 1 General Index Numbers of Industrial Production

	Average 1927-29	1933	1934	1935	1936
Britain ...	100	86.6	101.6	108.7	117.1
U.S.A. ...	100	56.2	72.3	79.8	85.2
Germany(ex. Saar) ...	100	63.8	81.5	85.0	91.0
France ...	100	81.9	83.3	73.7	78.7

Table 2 Building

Britain (value of plans passed)	100	113.8	137.1	152.5	159.0
U.S.A. (contracts awarded)	100	14.4	35.7	20.5	40.0

Table 3 Retail Sales (values—Base 1929)

Britain (Dept. Stores, Chain and Co-ops) ...	100	87.1	91.0	95.4	102.3
U.S.A. (Dept. Stores, Chain and Mail Order) ...	100	62.5	73.2	75.4	80.0
Germany ...	100	65.2	67.7	68.0	72.0

Table 4 Foreign Trade—Retained Imports (£m sterling)

	Average Quarterly 1928-9	1933	1934	1935	1936
Britain ...	274.0	161.2	169.1	165.0	184.5
U.S.A. ...	216.0	78.9	80.3	102.3	114.9
Germany ...	168.0	75.1	88.0	92.7	86.0
France ...	112.3	89.7	84.4	73.6	80.5
Japan ...	51.2	32.6	29.1	41.0	44.4

The past year has shown a steady increase in production, of about the same amount, in each of the four principal industrial countries. Of these four countries, British industrial production stands highest if we take as our base the years 1927-9. We must remember, however, that industry in Britain during those years was somewhat less active than it had been in other countries, and taking a longer view, the present level of British industrial production cannot be described as exceptional in relation to that of other countries.

For the younger industrial countries—Japan, Sweden and the U.S.S.R.—recent figures of industrial production are not available. It appears, however, that expansion of production also continues at a good pace in those countries. Among the smaller European countries,

Table 5 Foreign Trade—Exports (£m sterling)

	Average Quarterly 1928-29	1933	1934	1935	1936
Britain ...	181.6	89.5	94.8	105.4	106.1
U.S.A. ...	261.8	95.0	101.9	107.4	114.1
Germany ...	154.9	83.1	83.5	80.2	92.6
France ...	102.7	52.5	57.2	55.3	49.2
Japan ...	47.9	22.3	27.2	32.2	33.4

Table 6 Food

	Average 1927-29	1933	1934	1935	1936
Britain (Sterling) ...	100	69.6	68.8	70.8	72.4
Do. (Gold) ...	—	48.7	44.4	41.8	43.7
U.S.A. — Farm Products (\$) ...	100	40.7	58.8	78.6	77.2
Do. — (Gold) ...	—	—	36.9	46.7	45.5
Germany — Farm Products ...	100	61.1	68.5	74.5	78.2

Table 7 Wholesale Prices—Raw Materials and Semi-manufactured Goods

Britain (Sterling)...	100	71.6	78.6	76.1	80.2
Do. (Gold) ...	—	50.1	50.7	45.0	48.4
U.S.A. (\$) ...	100	55.1	72.4	77.5	80.8
Do. (Gold) ...	—	—	44.2	46.0	47.7
Germany ...	100	65.7	68.2	69.1	70.6

Table 8 Wholesale Prices—Finished Manufactures

Britain—Exports (Sterling) ...	100	77.3	77.0	76.6	77.0
Do.—(Gold) ...	—	54.1	49.6	45.2	46.5
U.S.A. (\$) ...	100	69.4	80.7	85.6	86.3
Do.—(Gold) ...	—	—	49.2	50.9	50.9
Germany (all manufactures) ...	100	72.8	74.1	77.5	77.7

Norway, Denmark and Finland are at present showing rapid growth.

In the figures of imports and exports, attention may first be turned to the fact that British imports have increased by nearly £20 millions as compared with the first quarter of 1935, while exports have increased by less than £1 million. This is an important fact, indicating the return of conditions in our overseas trade similar to those which prevailed before we left the gold standard in 1931, namely overvaluation of sterling. In the case of the U.S.A., there has also been some discrepancy between the increase in imports and the increase in exports during the past year, though not so great as in the case of this country. Germany, by state control of her foreign trade, has forced a reduction

of imports and an expansion of exports during the past year. But the principal countries in which there has been a greater rise in exports than in imports have been the smaller countries and agricultural countries not shown separately in the table. In many of these countries (*e.g.*, Australia, Denmark, Chile) the currency is undervalued in relation to the world trading situation.

Undervaluation and overvaluation of currencies, though apparently abstract matters, can cause, as we know to our cost from the experience of 1931, great economic and financial havoc. If the present world trends persist, there will be in course of time very unpleasant consequences. In this country there may be another financial crisis of the 1931 type, owing to the existence of a large adverse balance of trade which cannot be covered by borrowing or sales of securities. In some of the agricultural countries there may be a paper money inflation with certain serious after-effects.

It is very remarkable that during the last year Japan's share of the world's export trade has actually fallen. Examination of the detailed figures of Japanese exports to various destinations also give surprising results, which, in view of the importance of Japan in world politics, should not be neglected. The latest three months for which details are available are November, 1935—January, 1936. As compared with a year earlier, Japanese exports rose by 39 million yen, or 7%. But her best market was the U.S.A., to which country alone there was an increase in exports of 46 million yen. Japanese exports to Europe also rose sharply by 19 million yen, or 32%. These two figures alone, it will be seen, more than account for the whole

recorded increase of 39 million yen. There has been a heavy fall in Japanese exports to what were previously regarded as her most rapidly expanding markets, namely the Dutch East Indies and the Straits Settlements, and a particularly heavy fall in exports to Africa and to Latin America. These declines can largely be accounted for by tariff and other restrictions on Japanese trade imposed by the old imperialist powers, and in the case of Latin America, by trade agreements with the U.S.A.

Turning back to the industrial statistics, the rapid improvement in the U.S.A. has continued until recently. There is now a pause, which in all probability will be short. Experts see signs of a great trade boom developing in that country as a result of three principal factors: (i) the inflation of currency and credit; (ii) the large Budget deficit and borrowing for public works and relief; and (iii) the urgent need for meeting arrears of maintenance and replacement work on buildings and other fixed capital assets, which arrears have accumulated during six years of sub-normal economic activity. The index of building contracts awarded shows a significant rise.

Retail sales figures for the U.S.A. show that the general level of economic activity in that country, though improving, is by no means yet restored to normal. In Germany the rise in retail sales is nearly all accounted for by the rise in prices, and the standard of living of the German wage-earner remains low.

In Britain the rise in retail sales during the last year has been very marked, a small fraction of which rise is accounted for by higher retail prices. The increase has been most noticeable in food. In fact, one of the principal effects of the somewhat lower level of unemployment now prevailing has been an improvement in the quantity, quality and variety of the average working-class diet—a necessary and excellent change. Unfortunately, there are also many vested interests in the food trades who have a different reason for regarding these changes with satisfaction. Exceedingly high monopoly profits are being made by many sections of the food trades, and the Government's Agricultural Marketing Schemes are playing perfectly into the hands of certain powerful food-manufacturing and food-trading interests. Just as the Labour Party claims credit for the inauguration of agricultural marketing schemes, it will now need to plan for a clean-up of Elliott's stable as the most urgent item on the agenda for a future Labour Government.

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EMPLOYMENT AND WAGES

Table 9 Unemployment

	NOS. OF REGISTERED UNEMPLOYED (000)			PERCENTAGE UNEMPLOYED		
	Average 1929	Average for 1935	1st Qtr 1936	Average 1929	Average for 1st Qtr 1935	1936
Great Britain	1,262	2,237	2,009	10·4	17·2	15·4
Germany	1,915†	2,713	2,324	18·7†	14·8	12·5
France (partial)	10	534	520	—	—	—
U.S.A.*	—	12,810*	12,460*	8·2†	20·1†	16·7†

* A. F. of L. estimates of all workers out of work.

† T.U. weighted percentage. ‡ Not comparable.

Table 10 Employment Indices (1929=100)

	YEARLY AVERAGES		FIRST QUARTER	
	1934	1935	1935	1936
Great Britain	99.3	101.6	99.1	102.6
Germany	85.5	90.8	84.1	86.5
France (1930=100) ...	76.9	73.5	72.2	72.7
U.S.A.	75.2	78.4	77.2	79.7

Table 11 Money and Real Wages (1929=100)

	MONEY WAGES			REAL WAGES		
	1934	1935	1935	1934	1935	1935
	Av'ge	Av'ge	Dec.	Av'ge	Av'ge	Dec.
Gt. Britain (all trades, weekly rates)	96	97	97	111	111	109
Germany	*	*	*	*	*	*
France (Paris, skilled men, daily rates)	102	100	—	110	116	—
France (Provinces, skilled men, daily rates) ...	101	98	—	113	117	—
U.S.A. (industries, hourly earnings)...	99	102	103	124	122	121
U.S.A. (industries, weekly earnings)...	71	78	82	89	94	97

* Official figures valueless, being returned as unchanged since 1933.

Table 12 Cost of Living (1929=100)

	YEARLY AVERAGES		FIRST QUARTER	
	1934	1935	1935	1936
Great Britain	86	87	86	89
Germany	79	80	79	81
France (1930=100) ...	83	78	79*	78†
U.S.A.	79	83	82	84

* 2nd Quarter.

† 4th Quarter of 1935.

The figures given in the above tables for the most part show a continuance of the trends noticed in previous issues. The British figures show that the improvement in employment has been so far maintained, apart from the temporary setback at the beginning of the year. They show also a continued rise in the cost of living, due partly to the higher world prices of certain primary foodstuffs and partly to the operation of agricultural marketing schemes and the accompanying control of imports. This rise in the cost of living has caused a fall in real wages, money wages having shown, on the average, no corresponding increase.

For Germany, none of the current figures are of any real value. The official wage returns, dealing only with hourly rates, are wholly without significance, both because they fail to reflect changes in standard earnings and because they take no account of the numerous actual reductions which have undoubtedly been made. Nor can the figures of unemployment be relied upon, many of those who are without work having been excluded from the registers, which also omit those employed in labour camps. The employment index probably has more significance. It shows a higher level of employment than existed a year ago, largely because of rearmament, but a seasonal fall as compared with the summer months of 1935.

In France, the situation remains almost unchanged. Money wages fell somewhat in 1935, but less than the cost of living, so that the real wage index for full-time employment rose. But employment remained bad, and

there was no recovery from the economic difficulties caused by the over-valuation of the franc. Nevertheless, the *Front Populaire* in the elections refused to commit itself to devaluation; and the monetary policy of the incoming Government, under M. Blum, remains quite undefined. The *Front Populaire* is committed to a large policy of public works and economic deflation, apparently without devaluation; but it is not explained how these apparently inconsistent policies are to be reconciled. Perhaps the likeliest answer, for the present, is the adoption of foreign exchange control in conjunction with the reform of the Bank of France.

In the United States, rates of wages have changed very little during the past few months; but weekly earnings have risen on account of fuller employment. The cost of living has also risen, but not enough wholly to offset the rise in earnings. The employment index has risen, both in comparison with a year ago and in comparison with the previous quarter; but there has been only a very small reduction in the numbers unemployed according to the estimates of the American Federation of Labor. These are quoted in preference to the figures of registered applicants for work, because the latter have been greatly affected of late by the introduction of new methods of registration, so as to show, in comparison with a year ago, an apparent increase of 2,500,000 in the numbers unemployed. But even after this increase, the registered unemployed number only 9,200,000 for February, 1936, as compared with an A.F. of L. estimate of 12,550,000 actually out of work.

In general, if 1935 is taken as a whole, the world unemployment situation undoubtedly showed an improvement. The International Labour Office's International Index Number of Unemployment (1929=100) reached a maximum of 291 in 1932, and then fell to 274 in 1933, and to 221 in 1934. For 1935 it is provisionally put at 193. This figure excludes Italy, which has suspended publication of figures since the opening of the Abyssinian War.

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TARIFFS AND TRADE AGREEMENTS

SANCTIONS AGAINST ITALY

The introduction of sanctions against Italy last November led to a considerable diversion of trade. Great Britain and Czechoslovakia gave Yugoslavia a number of import concessions to recompense her for her large loss of trade with Italy, but few separate agreements between countries proved necessary in following out this policy. At the beginning of April Yugoslavia's loss from sanctions was estimated at £3,630,000, of which about one quarter was balanced by the special concessions from Great Britain and Czechoslovakia. An agreement was made with Germany to try and make up for the remaining losses involved. Italy retaliated by prohibiting certain imports from some of the sanctionist countries, and by concluding a new agreement with Albania, which extended considerably the area of the Italian oil concession in that country.

The embargo on the export of war materials to Italy proved very effective, but time had previously been given to Italy to import heavy stocks. The purpose of the embargo on Italian exports was so to deplete the reserves in gold and foreign exchange which she needed to pay for imports that her economic efficiency would be impaired. Since December the fall in Italian exports has been 50%. As a result, during the five months that sanctions have been imposed, the Bank of Italy appears to have lost about half of its gold reserve. This amounted at the end of March to only £33 millions. Including gold collected in Italy and foreign assets requisitioned by the Treasury Italy's total reserve now amounts to about £70 millions. Should sanctions continue this reserve will be depleted at £6 millions a month, so that pressure on Italy would begin to be critical from the autumn onwards.

OTHER TRADE RESTRICTIONS

The last six months have not been marked by any revolutionary alterations in tariff levels, although there have been many changes up and down in Great Britain and elsewhere. The principal increases were made by S. Africa, Brazil, Iceland, Estonia, Guatemala, Nicaragua, Trinidad and Zanzibar; India, Finland, Iraq, Latvia, Palestine, Columbia and Bermuda all made reductions of some importance. Germany reduced her tariffs on timber and a number of agricultural products; Poland and U.S.A. also made some slight reductions.

Poland has set up a complete system of control of currency and foreign trade by means of licences; Rumania, Iran and Manchuria all took government

control over foreign exchange. An Australian import licensing system has been established combined with an increase in duties on a number of articles. Empire goods are to be exempted from the licensing system with one exception, and textile duties have been adjusted to favour British importers. This latter arrangement is stated to have trebled duties on Japanese cotton goods and quadrupled those on Japanese rayon goods. It was intended that Japan should be recompensed by the diversion of large quantities of miscellaneous imports now obtained from U.S.

The popularity of quotas as a restriction upon imports appears to have declined during the half year, as although these restrictions were frequently renewed when their period of operation ended they were rarely imposed for the first time. Luxury and turnover taxes were increased in both Rumania and Yugoslavia. The Irish Free State was the only country to extend the use of bounties.

TRADE AGREEMENTS

Mr Runciman's drive in favour of negotiating further trade agreements has definitely lost its vigour. Those completed in the last half-year with Hungary, Rumania and Spain were all primarily payments agreements to enable the debts of British exporters to be met. The great majority of the treaties made in the early years of the National Government, including the Ottawa agreements, come up for revision in the near future. Rival interests are already at work and logs are being rolled in the struggle to alter these treaties. British agricultural interests are leading an attack on the existing treaties with Argentine and Denmark and less publicly upon those with Canada and Australia. It is, however, unlikely that British exporting interests will allow any substantial alterations to be made in the agreements which will hit them. Pressure will certainly be brought upon Mr Runciman by British manufacturers to secure more favourable treaties with Canada and Australia, although much has been done recently by both countries to meet British grievances. The Liberal government in Canada, in its budget, reduced duties on 104 items manufactured in Gt Britain, including cotton and rayon articles on which the duty was reduced by about 50 per cent.

The Most Favoured Nation clause has once more come to the fore and was one of the most important in treaties between U.S.—Canada, Germany—Rumania, Germany—Poland, U.S.—Brazil, U.S.—Netherlands, U.S.—Colombia, U.S.—Irish Free State, France—Brazil, Canada—S. Africa, Sweden—Iraq and Switzerland and Finland. Presumably the growth in the number of trade agreements has increased the desire of those not directly participating to benefit from successful negotiations. On the other hand, the restriction in the scope of recent agreements is largely due to the wide extent of the M.F.N. clause.

The treaty between U.S. and Canada, which was ratified finally in the middle of May, was very extensive and provided for special reduced tariffs on wide ranges of goods; the negotiation of this treaty represented an attempt of the United States to recover some of the ground lost in Canada in recent years. Some of these treaties included minor reductions in

tariff walls; this also took place in agreements between Germany—Switzerland, Germany—Czechoslovakia, U.S.—Netherlands and U.S.—Switzerland. Canada has terminated the trade war with Japan; the special surtaxes imposed by both parties have been cancelled. Brazil decided to replace all of her existing trade treaties by new agreements, but little progress was made in doing so during the half-year.

Spain and Turkey concluded a treaty for an extensive grant of mutual privileges and the removal of trade restrictions. Chile agreed to take 70% of its sugar imports from Peru, which in turn agreed to take 70% of its wheat imports from Chile; wide lists of tariff free imports from one another were drawn up. Treaties were extended between Great Britain—Egypt, New Zealand—Canada, France—U.S.S.R., France—Spain, France—U.S., Germany—Denmark, Egypt—Irish Free State, Germany—Irish Free State and Canada—Hayti. A new agreement was concluded between U.S.S.R. and Greece.

The most important trade feature of recent months is not shown in the terms of the treaties negotiated in the period. The British position in the Scandinavian and Baltic countries has become more dominant save in Finland. Germany has left this field and concentrated upon winning ground in South-Eastern Europe. The visit of Dr Schacht to these countries during the present month merely emphasizes the existence of this development. Using her unpaid debts as a lever she has tried to secure large orders for armaments in these countries in the hope that once a country has been armed by her it will have to support politically the country from which it gets the ammunition most suitable for its arms. Thus the agreement with Yugoslavia was motivated in part by that country's anxiety to settle outstanding claims against Germany. Considerable success has been attained in this campaign, whilst Western Europe has been occupied by the Italo-Abyssinian struggle.

The political results of German economic penetration

in the Balkans cannot be ignored. In spite of the express denial by the Yugoslav Premier of any political significance in the agreements with that country, it is difficult to see how, in the long run, this consequence can be avoided. In the case of Czechoslovakia the political aims of German economic policy are even more obvious and there are signs that the resultant difficulties in that country may lead to an attempt at some form of political agreement and possibly the entrance of the followers of Herr Henlein into the Government. This policy has some resemblance to that of Japan in North China, whence frequent complaints have been received during the past two months. Meanwhile it was announced in Berlin at the end of April that some 900 million marks had been raised in the past year by means of the levy on industry to subsidize exports. The effects of this have been felt in many parts of the world by British exporters, notably in India.

To strengthen the German economic position in these countries orders for agricultural produce have been diverted from the northern countries, save Finland, where every effort has continued to be made to strengthen the German connection. Owing to the strong Fascist movement in that country and its strategic importance in the Baltic, Finland is looked upon in Berlin as an excellent jumping off point for an attack on Russia. From a military point of view this new German policy has great possibilities. S.E. Europe has a large manpower and plentiful supplies of food and other raw materials, invaluable in time of war, whereas the Baltic and Scandinavian countries are lacking in man-power and can easily be dominated by Germany, should hostilities break out. It will be of considerable interest to see whether the new French government, particularly if it nationalises the armaments industry, will make any attempt to check this German penetration of S.E. Europe. If it takes no action, Hitler will be in a far stronger position when he begins war than the Kaiser was in 1914.

JOHN PARKER

LABOUR PLANS IN WESTERN EUROPE*

The *Plan du Travail* of the Belgian Labour Party has already attracted a good deal of attention. It is less generally realized, however, that this is but one of several plans that have been drawn up by groups of Socialists in western European countries. These plans vary greatly in their details according to the different conditions that have to be faced in each country, but they also have much in common. Already two international conferences have been held, one at Pontigny in September, 1934, and another at Geneva in the spring of 1936, at which representatives of these different groups have discussed their common problems.

Within the confines of a brief article it is not possible to discuss the plans in any detail, but some of the main points can be noted. All are concerned with the regulation of production and distribution in the transition stage to Socialism. At the same time it is generally felt that the regulation of credit is the matter of first importance and is essential to the carrying out of the remainder of the plan. In Belgium, Holland, Switzerland and France there is agreement as to the desirability of nationalizing the central bank immediately in each country. In Holland, however, the rest of the banks are to be left in private hands, although they are to be strictly supervised so far as the issue of credits is concerned. It is claimed that in Holland (like England) the banks have less extensive powers over industry than they possess elsewhere, as their activities are limited to the supply of short-term credits; they cannot, therefore, control industry as they do, for instance, in France, where medium and long-term credits can be made the instruments of more extensive control. In Belgium the Van Zeeland Government last year passed an Act prohibiting the holding of shares or any other interest in industrial undertakings by the banks, a prohibition which extends to the shares of statutory undertakings. This was done under pressure from the Labour members of the Cabinet, who included M. de Man, one of the founders of the planning movement. But the Belgian Plan, like that of the Swiss and French groups, demands the nationalization of all the large private banks in the same way as this is demanded by the Labour Party in Britain.

Once the control of credit has been established, industry itself is to be controlled. In Belgium and France the nationalization of the key industries is demanded; in Switzerland it is the monopolies that are to be nationalized. But in Belgium and Switzerland nationalization of control only is demanded in the first instance. That is to say, it is proposed that a new kind of share should be created, namely "Control Shares" (*actions de puissance* or *stimmrechtstitel*), to be held by the state. These would give voting powers in the general meetings of the undertakings concerned, and thus control over policy, but would not entitle the state to any share in the profits of the undertakings.

Complete socialization is envisaged as the second stage, to come gradually as the state bought up the ordinary shares. The French plan contains proposals for the replacement of existing shares by state bonds. The Dutch plan, on the other hand, does not advocate nationalization in this sense at all. Instead it is proposed to set up a system of close supervision of industrial policy through an accountancy service, combined with making expansion and investment dependent upon state authorization. In Switzerland there are no key industries of the sort that are to be found, for instance, in Belgium and France, except perhaps the electricity industry which is already largely in national hands, so that nationalization will not be an important part of the Swiss plan. In Holland electricity, water, and some of the mines are already nationally owned, and plans for dealing with the petroleum industry are being formulated apart from the main plan; no other key industries exist there apart from those mentioned. In Holland and Switzerland, therefore, the problem is seen in a light rather different to that in which it is seen in France and Belgium; less is said about key industries, but greater attention has been paid to the control of the rest of the industry of the country.

The institution that is to be charged with the general direction of the industrial life of all four countries is the Economic Control Office. In Holland the possible activities and functions of this body have been worked out in considerable detail; elsewhere they have been less carefully considered. Here also, as in Switzerland, much more attention has been paid to retail trade than in Britain. In Switzerland it is proposed to set up a special State Department to regulate retail trade. In Holland local retail boards are to be given similar functions; they will issue licences after considering the existing facilities in the area and the possibilities of further profitable business being available.

Again in Holland and Switzerland much attention has been paid to the subject of foreign trade. While in Belgium, a return to freer trade is advocated, the Dutch and Swiss groups have made an attempt to link up foreign trade with their general planning policies and to consider the form of trade appropriate to a planned economy. This subject, however, cannot be fully considered by each country individually. Some common international policy will have to be worked out and the next international planning conference could have no more useful aim than to attempt to formulate some common lines of policy on this important topic.

* This survey is based on a memorandum obtained from the Research Department of the Dutch Socialist Party. Further literature on the different plans is available for reference at the offices of the N.F.R.B.

WORK OF THE NEW FABIAN RESEARCH BUREAU

ANNUAL GENERAL MEETING

The fifth Annual General Meeting was held at the National Trade Union Club at 2.30 p.m. on May 23, 1936. After the Chairman's address, a review of the work of the Bureau during the past five years was presented and a general discussion of future work followed.

The following were elected unopposed as officers for the ensuing year: Chairman, Rt Hon. C. ADDISON; Vice-Chairmen, HAROLD CLAY, G. D. H. COLE; Hon. Treasurer, G. R. MITCHISON; Hon. Secretary, MARGARET COLE; Hon. Asst Secretary, E. F. M. DURBIN.

The following were also elected to serve on the Executive Committee: H. V. BERRY, COLIN CLARK, MRS B. DRAKE, H. FRANKLIN, H. T. N. GAITSKELL, T. G. N. HALDANE, A. CREECH JONES, D. N. PRITT, W. A. ROBSON, L. WOOLF, G. WANSBROUGH.

PROGRAMME OF RESEARCH

The Executive Committee is drawing up a new "Five Year Program" of research and is very anxious to receive suggestions for work and offers of help. It is proposed to create a new Planning Section which will deal with political and economic planning machinery in transition to, and under a socialist state. It will attempt to coordinate the various socialization schemes for particular industries and deal with the location of industry and territorial planning. On the international side special attention is to be paid to prevention of war.

The new programme of work will not, of course, interfere with that already in hand, which will be completed. It will primarily attempt to fill the gaps in the N.F.R.B.'s work, especially where the Labour Party's policy needs completing and clarifying.

COMPLETED MEMORANDA

The following have been added to the list of completed memoranda which are available for reference at the office:

III INTERNATIONAL SECTION

Burma

IV LOCAL GOVERNMENT

Rating of Unoccupied Property

PUBLICATIONS

Three new pamphlets are now in the press and will be published at the beginning of July:

- 28 RENT REBATES by Geoffrey Wilson. 1/-. An exhaustive survey of schemes already in operation with a more general discussion of the subject in the light of experience.

- 29 LABOUR AND WAR RESISTANCE by 'Covenanter'. 6d. Detailed suggestions as to the foreign policy that might be adopted by the Labour Party at the present time, prefaced by a searching analysis of the National Government's attitude to the League and foreign affairs generally.

- 30 FOREIGN TRADE by Harold Barger. 6d. A discussion of the underlying principles of foreign trade in the transition to Socialism.

At the end of July the N.F.R.B. is hoping to publish a book on PUBLIC CONCERNS. This will include chapters on: Port of London Authority, Forestry Commission, British Broadcasting Corporation, Central Electricity Board and other Electrical Authorities, London Passenger Transport Board, Marketing Boards, Post Office, Cooperative Societies, Coal Reorganization Commission.

CONFERENCES

A week-end conference will be held at the Garden House Hotel, Belle Vue, Cambridge, on June 27-28, on LABOUR'S FOREIGN POLICY.

The final programme is as follows:

Saturday, June 27

- 4.30 p.m. COLONIAL GRIEVANCES

D. P. T. Jay and Lionel Birch.

- 8.0 p.m. THE EUROPEAN SITUATION

R. Gessner and M. Maurice Schumann.

Sunday, June 28

- 10.0 a.m. A FOREIGN POLICY FOR OFFICE

G. M. Garro-Jones, M.P., and H. N. Brailsford.

- 2.30 p.m. A FOREIGN POLICY FOR OPPOSITION

Sir Stafford Cripps, K.C., M.P., and Hugh Gaitskell.

RECOMMENDED BOOKS

- THE MUNICIPAL YEAR BOOK 1936 (30/-).** The annual appearance of one of the volumes indispensable to students of local government. There exists no more complete collection of information on current local government affairs.
- Harrison, Major G
Mitchell, E. C
- THE HOME MARKET: A Handbook of Statistics (Allen & Unwin 10/6).** Pictorial representation (with accompanying figures) of age, income, etc., groupings of the population, housing position, newspaper distribution and expenditure of various sorts. Clear and interesting as far as it goes.
- Levy, Hermann
- THE NEW INDUSTRIAL SYSTEM (Routledge 10/6).** An elaborate and reliable, but rather Germanic standard work.
- Quigley, H
- A PLAN FOR THE HIGHLANDS (Methuen 1/-).** A brief survey of the problems of the Highlands with practical proposals for their solution under a Highland Development Board.
- Williams, G
- THE STATE AND THE STANDARD OF LIVING (King 12/6).** An interesting attempt to estimate the effect of the social services in raising the standard of living in this country in the last 30 years.
- M'Gonigle, Dr. G. C. M
Kirby, J. A., M.R.S.I
- POVERTY AND PUBLIC HEALTH (Gollancz 6/-).** A detailed survey of incomes, expenditure and ill-health, especially in Stockton-on-Tees, where Dr. M'Gonigle is Medical Officer. Everyone should read this challenging and objective account of the effects of British capitalism on the lives and welfare of the people.
- A SOCIAL SURVEY OF PLYMOUTH (King 1/6).** A preliminary report issued by the committee undertaking a Social Survey of Plymouth, dealing principally with the facts of housing and incomes.
- Ensor, R. C. K
- ENGLAND 1870-1914 (Oxford University Press 15/-).** An outstanding book, very well written and liberal in outlook. Mr Ensor deals with a great variety of subjects from local government and army reform to a discussion of the outstanding political figures of the time.
- Laski, H. J
- THE RISE OF EUROPEAN LIBERALISM (Allen & Unwin 7/6).** Rather an extended pamphlet than a book, this analyses, from a liberal-Marxian standpoint, the economic foundations of nineteenth century liberalism.
- Greaves, H. R. G
- REvolutionary ENGLAND (Acorn Press 5/-).** A collection of essays designed to show—in the Laski manner—that England is not nearly as liberal a country as she appears.
- Royal Institute of
International Affairs
- RAW MATERIALS AND COLONIES (R.I.I.A. 2/6).** A very full collection of the facts and figures relevant to the question of raw materials and colonies. The principal proposals for reform are formulated.
- Barnes, Leonard
- THE FUTURE OF COLONIES (Hogarth Press 1/-).** This is a rather less objective and more readable account of the colonial question. Mr. Barnes has interesting views about the proper remedies and expresses them in a forcible manner.
- Williams, Francis
- PLAN FOR PEACE (Methuen 3/6).** A survey of the war policies and claims, political and economic, of Germany, Italy and Japan; with proposals for a constructive economic peace policy.
- Birch, Lionel
- THE DEMAND FOR COLONIES (League of Nations Union 6d.).** A list of facts and proposals connected with the colonial demands of the dissatisfied Powers.
- Greaves, H. R. G
- RAW MATERIALS AND INTERNATIONAL CONTROL (Methuen 5/-).** A valuable survey of existing schemes for the international control of raw materials, combined with an attempt to relate these to a scheme of international economic planning.
- Rowe, J. F
- MARKETS AND MEN: A Study of Artificial Control Schemes in Some Primary Industries (Cambridge University Press 7/6).** An admirable survey of certain international restriction schemes. Full and reliable.
- Padmore, George
- HOW BRITAIN RULES AFRICA (Lawrence and Wishart 12/6).** An attack on the British colonial system by an educated African. A thoroughly documented work based upon a clear realisation of the economic realities of imperialism.
- Nehru, Jawaharlal
- JAWAHARLAL NEHRU—AN AUTOBIOGRAPHY (John Lane 15/-).** The leader of the Socialist wing of Congress here explains his viewpoint and experience. An invaluable work for understanding the present situation.
- Keith, A. B
- A CONSTITUTIONAL HISTORY OF INDIA, 1600-1935 (Methuen 15/-).** A very useful if rather dry compendium of facts brought right up-to-date. Of the same type as Professor Keith's other books on the British Empire, and with the same outlook.
- Jones, E. M. Hugh-
Radice, E. A
- AN AMERICAN EXPERIMENT (Oxford University Press 6/-).** An extremely able and interesting survey of the New Deal. The authors view Mr. Roosevelt from a refreshingly left-wing point of view.
- Thomas, Brinley
- MONETARY POLICY AND CRISES: A Study of Swedish Experience (Routledge 7/6).** This is the best account in existence of the very important and successful experiment in monetary control carried out by the Social Democrats in Sweden.
- Crowther, J. G
- SOVIET SCIENCE (Routledge 12/6).** An account of recent developments in Russian science, by one who accepts the Communist philosophy. Rather overfull of propaganda and clumsily written, but interesting.
- Mehring, Franz
- KARL MARX (John Lane—Bodley Head —15/-).** The standard life of Marx.

